

Brigade Boys & Girls Club, Inc.

Financial Statements

*For the Year Ended December 31, 2014
(with Comparative Totals for 2013)*



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Brigade Boys & Girls Club, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Brigade Boys & Girls Club, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brigade Boys & Girls Club, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Brigade Boys & Girls Club, Inc.'s 2013 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wilmington, North Carolina
May 5, 2015

Ernie J. Long, C.P.A.

Brigade Boys & Girls Club, Inc.
STATEMENT OF FINANCIAL POSITION

As of December 31, 2014

	Unrestricted			Temporarily Restricted	Permanently Restricted Endowment	Total	2013 Comparative Total
	Operations	Property	Board Designated Endowment				
Assets							
Cash & cash equivalents	\$ -	\$ -	\$ -	\$ 17,341	\$ -	\$ 17,341	\$ 47,618
Grant & other receivables	127,464	-	-	85,200	-	212,664	201,994
Total Current Assets	127,464	-	-	102,541	-	230,005	249,612
Assets Whose Use is Limited (Note 8)							
Operating Reserve	-	-	100,000	-	-	100,000	100,000
Capital Reserve	-	-	50,000	-	-	50,000	50,000
Board Designated	-	-	459,477	-	112,996	572,473	516,996
Property	-	-	609,477	-	112,996	722,473	666,996
Land	-	25,000	-	-	-	25,000	25,000
Buildings	-	2,855,643	-	-	-	2,855,643	2,818,772
Furniture & fixtures	-	44,604	-	-	-	44,604	44,604
Equipment	-	205,205	-	-	-	205,205	205,205
Technology	-	374,392	-	-	-	374,392	374,392
Vehicles	-	208,901	-	-	-	208,901	201,399
Less: Accumulated depreciation	-	3,713,745	-	-	-	3,713,745	3,669,372
	-	(2,069,894)	-	-	-	(2,069,894)	(1,967,146)
	-	1,643,851	-	-	-	1,643,851	1,702,226
Total Assets	\$ 127,464	\$ 1,643,851	\$ 609,477	\$ 102,541	\$ 112,996	\$ 2,596,329	\$ 2,618,834
Liabilities & Net Assets							
Accounts payable	\$ 46,181	\$ -	\$ -	\$ -	\$ -	\$ 46,181	\$ 46,182
Payroll taxes payable	18,918	-	-	-	-	18,918	8,138
Current maturities of debt	-	88,297	-	-	-	88,297	38,291
Total Current Liabilities	65,099	88,297	-	-	-	153,396	92,611
Due to (from)	7,830	-	-	(7,830)	-	-	-
Long-term notes payable (Note 6)	-	31,538	-	-	-	31,538	635
Total Liabilities	72,929	119,835	-	(7,830)	-	184,934	93,246
Net Assets							
Unrestricted	54,535	1,524,016	609,477	-	-	2,188,028	2,318,104
Temporarily restricted	-	-	-	110,371	-	110,371	160,798
Permanently restricted	-	-	-	-	112,996	112,996	46,686
Total Net Assets	54,535	1,524,016	609,477	110,371	112,996	2,411,395	2,525,588
Total Liabilities & Net Assets	\$ 127,464	\$ 1,643,851	\$ 609,477	\$ 102,541	\$ 112,996	\$ 2,596,329	\$ 2,618,834

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys & Girls Club, Inc.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

	Unrestricted				2013 Comparative Total	
	Operations	Property	Board Designated Endowment	Temporarily Restricted		Permanently Restricted Endowment
Support & Revenue						
Support						
Grants (Note 5)	\$ -	\$ -	\$ -	\$ 508,580	\$ -	\$ 508,580
Contributions	231,953	-	-	-	-	231,953
Golf tournament, net	-	-	-	-	33,155	33,155
Other special events, net	62,324	-	-	-	-	62,324
Assets released from restrictions	559,007	-	-	(559,007)	-	-
Total Support	853,284	-	-	(50,427)	33,155	836,012
Revenue						
Program fees & other	305,898	-	-	-	-	305,898
Investment income (Note 8)	-	-	42,782	-	-	42,782
Interest income	-	-	12,695	-	-	12,695
Total Revenue	305,898	-	55,477	-	-	361,375
Total Support & Revenue	1,159,182	-	55,477	(50,427)	33,155	1,197,387
Expenses						
Program	1,034,176	92,473	-	-	-	1,126,649
Administration & general	130,058	11,071	-	-	-	141,129
Fundraising	43,802	-	-	-	-	43,802
Total Expenses	1,208,036	103,544	-	-	-	1,311,580
Change in Net Assets	(48,854)	(103,544)	55,477	(50,427)	33,155	(114,193)
Net Assets						
Beginning of year	11,151	1,663,300	643,653	160,798	46,686	2,525,588
Transfers	92,238	(35,740)	(89,653)	-	33,155	-
End of year	\$ 54,535	\$ 1,524,016	\$ 609,477	\$ 110,371	\$ 112,996	\$ 2,411,395
						\$ 2,525,588

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Brigade Boys & Girls Club, Inc.
STATEMENT OF FUNCTIONAL EXPENSES

	For the Year Ended December 31, 2014			2013
	Program	Administration	Fundraising	Comparative Total
Salaries & Related				
Salaries expense	\$ 555,515	\$ 83,787	\$ 31,104	\$ 670,406
Payroll tax expense	50,044	7,548	2,802	60,394
Pension expense	34,260	5,167	1,918	41,345
Health insurance	29,667	4,475	1,661	35,803
Workers compensation	9,163	1,382	513	11,058
Total Salaries & Related	678,649	102,359	37,998	819,006
Professional expenses				
Supplies, recreation, & other	9,798	852	-	10,650
Telephone	14,129	-	-	14,129
Postage & shipping	8,322	1,255	466	10,043
Occupancy	1,763	266	99	2,128
Repair & rentals	40,517	7,597	2,532	50,646
Printing	35,771	3,975	-	39,746
Travel	4,315	651	242	5,208
Conferences & workshops	71,017	3,738	-	74,755
Insurance	1,548	233	87	1,868
Dues	42,471	6,406	2,378	51,255
Participant - food	10,901	2,726	-	13,627
Contract services	97,593	-	-	97,593
Miscellaneous	11,207	-	-	11,207
Subtotal	1,034,176	130,058	43,802	1,208,036
Interest	-	796	-	796
Depreciation	92,473	10,275	-	102,748
Total Expenses	\$ 1,126,649	\$ 141,129	\$ 43,802	\$ 1,311,580
				\$ 1,234,426

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys & Girls Club, Inc.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

	Unrestricted				2013 Comparative Total	
	Operations	Property	Board Designated Endowment	Temporarily Restricted		Permanently Restricted Endowment
Cash Flows From Operating Activities						
Cash Collections for:						
Support	\$ 809,215	-	-	\$ (6,934)	\$ 33,155	\$ 835,436
Program revenue	305,898	-	-	-	-	305,898
Investment income	-	-	12,695	-	-	12,695
Other income	-	-	-	-	-	-
Cash Payments for:						
Salary & payroll tax	(808,226)	-	-	-	-	(808,226)
Other operating expenses	(399,125)	(796)	-	-	-	(399,921)
Net Cash Provided by (Used in) Operating Activities	(92,238)	(796)	12,695	(6,934)	33,155	(54,118)
Cash Flows From Investing Activities						
Purchases of property, net	-	(44,373)	-	-	-	(44,373)
Purchases of investment, net	-	(12,695)	-	-	-	(12,695)
Net Cash Provided by (Used in) Investing Activities	-	(44,373)	-	-	-	(57,068)
Cash Flows From Financing Activities						
Proceeds from loans	-	82,242	-	-	-	82,242
Principal payments on loans	-	(1,333)	-	-	-	(1,333)
Transfers	92,238	(35,740)	-	(56,498)	-	-
Net Cash Provided by (Used in) Financing Activities	92,238	45,169	-	(56,498)	(56,498)	80,909
Increase (Decrease) in Cash	-	-	-	(6,934)	(23,343)	(30,277)
Cash & Cash Equivalents						
Beginning of year	-	-	-	24,275	23,343	47,618
End of year	-	-	-	\$ 17,341	-	\$ 17,341
Reconciliation of Net Income to Cash Provided by (Used in) Operating Activities:						
Change in net assets	\$ (48,854)	\$ (103,544)	\$ 55,477	\$ (50,427)	\$ 33,155	\$ (114,193)
Depreciation	-	102,748	-	-	-	102,748
Unrealized (gain) loss	-	-	(42,782)	-	-	(42,782)
Receivables (increase) decrease	(44,070)	-	-	33,399	-	(10,671)
Certificates of deposit decrease	-	-	-	-	-	-
Payables (decrease) increase	686	-	-	10,094	-	10,780
Net Cash Provided by (Used in) Operating Activities	\$ (92,238)	\$ (796)	\$ 12,695	\$ (6,934)	\$ 33,155	\$ (54,118)
Interest paid	-	-	-	-	-	796
	-	-	-	-	-	\$ 1,985

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys & Girls Club, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

1. PURPOSE AND ACTIVITIES

Brigade Boys & Girls Club, Inc. (the "Club") helps youth of all backgrounds develop the qualities that are needed and necessary to become responsible citizens and leaders through a variety of programs, such as supervised recreational activities, educational assistance, and self-improvement programs. During 2014, the Club had approximately 2,400 members aged 5 - 18 in New Hanover and Pender Counties in Southeastern North Carolina.

Effective January 1, 2015, the Club acquired the Brigade Boys & Girls Club of Onslow County through an asset acquisition transaction. As a result, during 2015 the Club will serve an additional 800 children a year at six school based sites throughout Onslow County.

The Club is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income related to its exempt purpose is not subject to income tax and contributions may be deductible within limits by the donor.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Club prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. Accordingly, income is recognized when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Club's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Club's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

- a) **Unrestricted net assets** are resources available to support operations including property. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Club, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- b) **Unrestricted board designated** amounts are investments and certificates of deposit designated by the Board of Directors to be invested with income available to fulfill the Club's mission. For example, the Board of Directors has designated \$100,000 as an operating resource available if needed to meet payroll and \$50,000 for capital expenditures as approved by the Board. These resources are classified as assets whose use is limited. See Note 7 for details.
- c) **Temporarily restricted net assets** are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Club's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Club, unless the donor provides more specific directions about the period of its use.

- d) **Permanently restricted endowment** are resources whose use by the Club is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Club's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class. See Note 8.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that the net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Contributions

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Club.

Temporarily restricted contributions are recognized as contribution income in the statement of activities when cash or ownership of donated assets is unconditionally promised to the Club and subsequently released to the unrestricted fund when expenses have been incurred in satisfaction of those restrictions.

The Club reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Club reports expirations of donor restriction when the donated or acquired long-lived assets are placed in service.

A substantial number of unpaid volunteers have made significant contributions of their time to further the Club's programs, principally in membership development, program planning, and fundraising. These donated services were not recorded in 2014 or 2013, since the criteria for recognition under generally accepted accounting principles was not met.

Cash and Cash Equivalents

The Club considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, which were as follows at December 31:

	<u>2014</u>	<u>2013</u>
First Citizens Bank - Checking	<u>\$ 17,341</u>	<u>\$ 47,618</u>

Property and Equipment

Property and equipment are stated at cost, or if donated, at the fair market value at the date of gift. Expenditures of an ordinary maintenance or repair nature are expensed as incurred and major renewals or improvements are capitalized. Equipment is capitalized if it has a cost of \$500 or more and a useful life of more than one year. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Building	39 years
Improvements	10 - 15 years
Furniture & Equipment	5 - 7 years
Vehicles	5 years
Technology	3 years

Land, buildings, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Expense Recognition and Allocation

The cost of providing the Club's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective bases such as time spent, salaries, square feet, and other bases. Total expenses are \$1,320,009 which includes \$8,429 of expenses directly related to ancillary fundraising events.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Club. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. Fundraising costs, including advertising, are expensed as incurred, even though they may result in contributions received in future years.

Income Taxes

Accounting principles generally accepted in the United States of America require the Club's management to evaluate tax positions taken by the Club and recognize a tax liability (or asset) if the Club has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Club has analyzed the tax positions taken and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Club is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Club believes it is not subject to income tax examinations for years prior to 2011.

Prior Year

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's financial statements for the year then ended, from which the summarized information was derived. Certain reclassifications of prior year comparative amounts have been made in order to conform to the current year presentation.

Subsequent Events

The Club has evaluated its subsequent events (events occurring after December 31, 2014) through May 5, 2015, which represents that date the financial statements were issued. See Note 1 for discussion of Onslow acquisition effective January 1, 2015.

3. RETIREMENT PLAN COMMITMENT

All full-time employees over the age of 21 who have completed one full year of service are eligible to participate in the Pension Trust of the Boys & Girls Clubs of America, which is a defined contribution money purchase retirement plan administered by the Boys & Girls Clubs of America. The plan requires the employer to contribute 10% of eligible participant's annual salary to the plan each year. An employee fully vests in five years. Retirement contributions of \$41,345 were made by the Club in 2014 and \$40,748 in 2013.

4. LEASES

The center leases its Pender County locations under a month to month lease. Lease expense totaled \$5,545 in 2014.

5. GRANTS

Grants awarded consist of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
NC Department of Juvenile Justice - Juvenile Restitution Program	\$ 26,775	\$ 62,868
NC Department of Crime Control & Public Safety Division of Governor's Crime Commission	27,168	-
NC Department of Health & Human Services - Power Hour & Smart Moves	102,234	103,245
NC Department of Health & Human Services - Food Program	87,486	78,294
NC Department of Health & Human Services - Food Program	27,289	32,079
U.S. Department of Justice - OJP Grant	<u>-</u>	<u>20,000</u>
Total Government Grants	270,952	296,486
Lehto Foundation	50,000	50,000
United Way	36,159	36,159
City of Wilmington	33,116	23,750
Cape Fear Memorial	35,000	40,000
Eshelman Foundation	-	40,000
Altria	25,000	21,000
Best Buy	5,000	5,000
Other	<u>53,353</u>	<u>21,575</u>
Total Grants	<u>\$ 508,580</u>	<u>\$ 533,970</u>

6. LONG-TERM NOTES PAYABLE

The Club has a line of credit and note payable with a local bank, First Citizens Bank. Long-term debt consists of the following:

	<u>2014</u>
Line of credit from First Federal Bank dated January 15, 2013. \$100,000 available with an interest rate of 2.75%. Monthly payments of interest are due until July 3, 2014 when the balance is due. The note is secured by certificates of deposit.	\$ 83,345
Note payable from First Citizens available at a fixed rate of 5.90%. Monthly payments of \$167 are due until June 10, 2015. The note is secured by UCC collateral on equipment.	952
Note payable from the City of Wilmington with monthly payments of \$333 that are due until September 2024. The note is secured by a deed of trust.	<u>35,538</u>
Total	<u>\$ 119,835</u>

The following is a summary of maturities of the above notes:

2015	\$ 88,297
2016	4,000
2017	4,000
2018	4,000
2019	4,000
Thereafter	<u>15,538</u>
Total Debt	119,835
Less Current Maturities	<u>(31,538)</u>
Total Long-Term Debt	<u>\$ 88,297</u>

7. ENDOWMENT FUNDS

Board Designated

In November 2007, the Board of Directors designated available unrestricted resources as a Board Designated Endowment Fund ("Board Designated Endowment") to support the mission of the Club. Since the amount resulted from an internal designation and was not donor-restricted, it has been classified and reported as unrestricted net assets.

In May 2013, the Board of Directors established two new sub-funds of the Board Designated Endowment: The Operating Reserve Endowment Fund, initially funded with \$100,000 from the Board Designated Endowment, and the Capital Reserve Endowment Fund, initially funded with \$50,000 from the Board Designated Endowment. The remaining balance of the Board Designated Endowment is to remain available to match contributions to the Brigade Permanent Endowment as described below.

Brigade Permanent Endowment

In March 2013, the Board of Directors established a new and separate fund to be known as the Brigade Permanent Endowment ("Permanent Endowment") to enable the Club to more completely fulfill its mission. By resolution of the Board, distributions from the Permanent Endowment are limited to (i) capital needs of the Club, (ii) program support, (iii) seed money for new projects and programs, and special one-time projects, and (iv) such other purposes as are specifically designated by donors to the Club whose gifts are included in the Permanent Endowment. The Permanent Endowment is to be managed by the Finance Committee of the Board of Directors in accordance with Board approved gift acceptance, investment, and spending policies. Effective in 2013, all proceeds from the annual Brigade Golf Tournament will be directed to the Permanent Endowment and be matched dollar for dollar from available funds in the Board Designated Endowment. The funds available for distribution during any one year will be limited to a maximum of 5 percent of the average market value of the Permanent Endowment. This value is determined by computing a three-year rolling average of the total value of the Permanent Endowment at the end of each of the preceding 12 quarters, ending in June. No distribution shall be made until the market value of the fund exceeds \$100,000. The Brigade Permanent Endowment is classified and reported as permanently restricted net assets.

Investment Return Objectives, Risk Parameters, and Strategies

The Club has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to provide reasonable return on invested assets. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity, while growing the funds if possible. Therefore, the Club expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended December 31, 2014 were as follows:

	Board Designated Endowment	Brigade Permanent Endowment
Endowment net assets, beginning of year	\$ 643,653	\$ 46,686
Additions	-	33,155
Net appreciation	55,477	-
Amounts appropriated for expenditure	(56,498)	-
Transfer to Permanent Endowment	(33,155)	33,155
Endowment net assets, end of year	<u>\$ 609,477</u>	<u>\$ 112,996</u>

8. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of various investments including mutual funds, certificates of deposit, and an insurance asset recorded at fair market value which are Board designated or restricted.

Accounting standards have established a hierarchy for ranking the quality and reliability of the information used in determining fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining fair value, the Club uses various valuation approaches within the fair value measurement framework. For example, equity securities and equity mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Investments are recorded at fair value and consist of the following:

	December 31, 2014			December 31, 2013		
	Investment Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain (Loss)	Investment Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Unrealized Gain (Loss)
Mutual Funds						
Vanguard Wellington Fund	\$ 196,861	\$ 314,452	\$ 117,591	\$ 189,008	\$ 286,134	\$ 97,126
Vanguard S&P 500 Index	105,410	210,699	105,289	101,554	185,406	83,852
CD First Federal Endowment	178,804	178,804	-	177,819	177,819	-
Insurance Asset	17,638	18,518	880	17,637	17,637	-
Total	<u>\$ 498,713</u>	<u>\$ 722,473</u>	<u>\$ 223,760</u>	<u>\$ 486,018</u>	<u>\$ 666,996</u>	<u>\$ 180,978</u>

Investment income shown in statement of activities:

Change in unrealized gain/(loss)	\$ 42,782	\$ 82,163
Interest (including interest on cash)	\$ 12,695	\$ 12,182

9. RISK MANAGEMENT

Brigade Boys & Girls Club, Inc. is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

Brigade Boys & Girls Club, Inc. purchases commercial insurance coverage against risk of loss due to errors and omissions, property damage and theft, and various other insurable risks. The Club carries property insurance in the amount of \$3,270,160 for 2014 and 2013 with a deductible of \$1,000 for all covered perils except named windstorm. For 2014 and 2013, the deductible for losses due to windstorm and/or hail is \$5,000 plus 1% per occurrence.

For 2014 and 2013, the Club was insured for workers' compensation and employers' liability. Excess liability insurance is purchased to provide coverage above the underlying limits for general liability, auto liability, employers' liability, and employee benefits liability. No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.

10. CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally may be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Club deposits its cash with high quality financial institutions, and management believes the Club is not exposed to significant credit risk on those amounts.

A significant portion, approximately 24% percent, of the Club's 2014 funding came from the North Carolina legislature.

The majority of the Club's support and revenue is received from corporations, foundations, and individuals located in the Wilmington, North Carolina area and from organizations in the state of North Carolina. As such, the Club's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of North Carolina. An economic downturn could cause a decrease in support and revenue that coincides with an increase in demand for the Club's services.